Washington, DC - Congressman Maurice Hinchey (D-NY), the author of the Glass-Steagall Restoration Act, today hailed President Obama's proposal to prevent commercial banks from owning, investing or sponsoring a hedge fund or a private equity fund, or engaging in proprietary trading operations. The congressman, who will be formally calling on the House to hold hearings on his legislation, said the president's proposed restrictions would help protect Americans who have deposits in large banks, break up parts of oversized financial institutions, and help avoid future financial collapses.

"For far too long, big banks have been allowed to get away with making risky bets with money deposited by hard-working Americans," said Hinchey, who is a senior member of the Joint Economic Committee. "These banks have been able to rely on federal protections for depositors as cover for what has at times amounted to a bad gambling habit. President Obama is right to be very critical of these practices that have unnecessarily exposed the American people and our economy to substantial risks. In the midst of the Great Depression, Congress passed the Glass-Steagall Act to prevent banks from mixing commercial lending with investment activities. As time passed, Congress mistakenly relaxed those restrictions and the greed that subsequently ensued contributed to the financial collapse that began in 2008. Now is the time for Congress to act and put those safeguards back in place so that the American people are protected from greedy Wall Street firms."

The Glass-Steagall Act was repealed in 1999 by the Gramm-Leach-Bliley Act, which Hinchey strongly opposed and voted against. That bill paved the way for the establishment of super-sized banks that serve as both commercial lending institutions and investment companies. Today, just four huge financial institutions hold half the mortgages in America, issue nearly two-thirds of credit cards, and control about 40 percent of all bank deposits in the U.S. In addition, the face value of over-the-counter derivatives at commercial banks has grown to $290 trillion, 95 percent of which are held at just five financial institutions.

In December 2009, Hinchey offered an amendment to the Wall Street Reform and Consumer Protection Act that would have restored the Glass-Steagall Act as part of the broader financial regulatory reform legislation. That amendment was blocked from coming up for a vote before the full House. Following the amendment's rejection, Hinchey introduced the Glass-Steagall Restoration Act, which would statutorily require banking giants to decide whether they want to serve as a commercial bank or an investment bank and require them to cease activities in one of those areas within one year of the bill's enactment.

President Obama's proposal captures the spirit of Hinchey's legislation that aims to separate commercial and investment banking while also limiting the excessive growth of the market share of liabilities by large financial institutions.

"President Obama's proposal would safeguard the American people from many of Wall Street's riskiest practices and I will work in Congress to help implement his proposals," Hinchey said. "I will also work to go even further and have Congress reinstate the Glass-Steagall Act in order to prevent any investment banking institutions from engaging in commercial lending at the same time."

Hinchey is also the author of the Too Big to Fail, Too Big to Exist Act, which would require the Secretary of the Treasury to dismantle any U.S. financial institution deemed to be so big that its potential collapse would undermine the entire U.S. economy. U.S. Senator Bernie Sanders (I-VT) is the author of that legislation in the Senate.